
Policy Name: Actuarial Services Policy
Policy Number: 2018 POL-BD-02
Effective Date: January 1, 2019
Reviewed Date: January 9, 2018
Applies To: SERS Board
Contact Person: SERS Legal Office

Purpose

The Board is required to act prudently in management of the Pennsylvania State Employees' Retirement Fund (the "Fund") and to exercise its responsibilities for the exclusive benefit of the members of the Pennsylvania State Employees' Retirement System ("SERS"). Under the State Employees' Retirement Code, the Board is charged with overseeing actuarial valuations for the Fund and the Benefits Completion Plan (the "BCP"), which is established for members that are receiving benefit payments from the Fund that would otherwise be limited by IRC Section 415(b), and making calculations for contributions, annuities and other benefits for the Fund and the BCP. The Board is authorized to contract for the services of actuaries and such other professional personnel as it deems advisable to assist with these tasks. This policy describes the Board's process for performing its actuarial and funding duties. For purposes of this policy, "Board" and "Board member(s)" include designee(s).

Selection of Independent Actuary

The Finance and Member Services Committee shall collaborate with the Executive Director to select and recommend, through a competitive process, one or more qualified and independent actuarial firms with public pension fund experience for engagement by the Board. Actuarial contracts should generally not exceed five years. Except as otherwise legislatively mandated, actuarial assumptions, calculations and methodologies used by SERS' actuaries shall be in accordance with standards of practice prescribed by the Actuarial Standards Board and with generally accepted actuarial principles and procedures.

Annual Actuarial Valuation

As part of its services, the independent actuary shall conduct an annual actuarial valuation and review the reasonableness of assumptions being used in SERS' actuarial valuations. The independent actuary shall advise SERS on methodology for the valuation. The firm shall also assist SERS in determining: (a) the actuarial valuation of the Fund and its accounts, (b) the actuarial valuation of the BCP, and (c) in making actuarial calculations for contributions, annuities and other benefits for the Fund and the BCP. The firm shall certify the employer annual contribution rates to SERS and the BCP and approve, in writing, all computational procedures used in the calculation of contributions and benefits.

The actuarial assumptions, methods and procedures used in making annual contribution rate calculations shall also be reviewed by SERS' independent auditor as part of the annual financial audit.

Five-Year Actuarial Experience Study

An actuarial investigation and evaluation shall be conducted by SERS' independent actuary every five years. Interim evaluations may be ordered on occasion, if the Board determines that the circumstances so merit. The independent actuary shall advise SERS on methodology. The study shall include an evaluation of past and expected future experience. Demographic, service and economic assumptions, as well as relevant administrative factors, should be included.

Actuarial Audit

Every ten years, the Finance and Member Services Committee shall collaborate with the Executive Director to select and recommend, through a competitive process, a qualified and independent actuarial firm with public pension fund experience for engagement by the Board to conduct an actuarial replication audit. The selected firm shall be separate and independent from the firm which has provided the actuarial services being audited.

The actuarial audit shall include an evaluation of the reasonableness and accuracy of valuation results, actuarial assumptions and application of actuarial methodologies. The actuary shall issue an opinion on whether the valuations reviewed were performed in accordance with Actuarial Standards Board standards of practice. Recommendations may also be provided when new assumptions are warranted.

Website Posting

Transparency of actuarial information is an important component of accountability to beneficiaries and stakeholders. In addition to other reporting requirements, SERS shall post annual actuarial valuations, five-year actuarial experience studies and actuarial audits on its public website.

Document Properties

- a. **Document Owner:** Executive Office
- b. **Document Author:** SERS Legal Office
- c. **Summary of Changes:**

Date	Version	Author	Summary
January 9, 2018	2018 POL- BD-02	SERS Legal Office	The process the Board has established for performing its actuarial and funding duties.